

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 ROME 5219

E.O. 11652: GDS
TAGS: PINT, IT
SUBJ: VIEWS OF PCI LEADER

SUMMARY: DURING A MARCH 25 LUNCHEON CONVERSATION, PCI
DIRECTORATE MEMBER AND ECONOMIC PLANNING EXPERT LUCIANO
BARCA EXPRESSED CONFIDENCE THAT NEGOTIATIONS FOR THE IMF
LOAN COULD BE SUCCESSFULLY CONCLUDED AND THAT THE GOVERNMENT'S
ECONOMIC PROPOSALS WOULD RECEIVE PARLIAMENTARY APPROVAL,
AFTER SOME AMENDMENTS, PRIOR TO THE APRIL 8 DEADLINE.
BARCA DOES NOT EXPECT AN IMMINENT GOVERNMENT CRISIS, ALTHOUGH
HE SUGGESTED THAT THERE COULD BE COME TYPE OF LIMITED
PROGRAMMATIC ACCORD FOLLOWED BY A GOVERNMENTAL RESHUFFLE OR
AGREEMENT ON REGULARIZED MEETINGS BETWEEN PARLIAMENTARY
GROUP LEADERS AS AN EFFORT TO PROVIDE GUARANTEES TO
THE PARTIES OF THE LEFT THAT THE GOVERNMENT WILL
CARRY OUT APPROVED PROGRAMS. BARCA CONCEDED THAT
THE RECENTLY CONCLUDED CENTRAL COMMITTEE MEETING ON
YOUTH PROBLEMS HAD BEEN INCONCLUSIVE, AND INDICATED
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THAT THE PARTY IS DIVIDED ON HOW TO APPROACH THE
YOUTH QUESTION. HE NONETHELESS FEELS THAT THE PCI
HAS RECOUPED SOME OF ITS LOST GROUND IN THE PAST
TWO OR THREE WEEKS. MEANWHILE, WORK IS GOING FORWARD,
AFTER SOME DELAY, ON THE PARTY'S MIDDLE TERM PLAN,
WHICH SHOULD BE READY FOR CONSIDERATION AT A CENTRAL
COMMITTEE MEETING CURRENTLY SCHEDULED FOR THE SECOND

HALF OF APRIL. CONVERSATION CONCLUDED WITH A DISCUSSION OF US POLICY TOWARDS ITALY AND OUR ATTITUDE VIS-A-VIS THE PCI. END SUMMARY.

1. IMF LOAN -- IN OPENING THE CONVERSATION, BARCA MENTIONED THAT TREASURY MINISTER STAMMATI HAD JUST DEPARTED FOR WASHINGTON TO RESUME NEGOTIATIONS WITH THE IMF ON THE LETTER OF INTENT CONCERNING A LOAN TO ITALY. (WE NOTE THAT STAMMATI ONLY LEFT FOR WASHINGTON ON MARCH 29.) BARCA NOTED THAT WITH MINOR CHANGES IN THE WORDING OF THE LETTER, THE FULL TEXT OF WHICH HAD NOT BEEN SHOWN TO THE PCI, AGREEMENT FOR ITS TERMS COULD BE SECURED FROM THE PARTIES SUPPORTING THE ANDREOTTI MINORITY GOVERNMENT AND FROM THE LABOR UNIONS. SIMILARLY, BARCA FELT THAT THE GOVERNMENT'S ECONOMIC PACKAGE WOULD BE PASSED BY THE PARLIAMENT PROVIDED THAT THE STERILIZATION OF THE VALUE ADDED TAX (IVA) EFFECT ON THE SCALA MOBILE (WAGE INDEXING) IS ELIMINATED WITH THE SUBSTITUTION OF A MODIFICATION OF THE EFFECT OF PRICE INCREASES OF URBAN TRANSPORTATION AND NEWSPAPER IN THE CALCULATIONS OF THE SCALA MOBILE. ACCORDING TO BARCA'S FIGURING, THESE MEASURES WOULD HAVE A SLIGHTLY LESS INFLATIONARY IMPACT ON THE SCALA MOBILE THAN THE GOVERNMENT'S CURRENT PROPOSALS AND AT THE SAME TIME COULD SERVE TO REDUCE PUBLIC SPENDING SINCE TRANSPORTATION AND NEWSPAPER PRICES COULD INCREASE--THUS REDUCING NATIONAL SUBSIDIES--WITHOUT TRIGGERING INCREASES IN THE SCALA MOBILE. (BARCA ALSO HELD OUT THE HOPE THAT THE LEFT WOULD PERMIT THE ADOPTION OF A FORMULA WHICH WOULD FREEZE UTILITY CHARGES IN TERMS OF THE

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SCALA MOBILE.)

2. EMBOFF NOTED THAT THE PROPOSED COMPROMISE ESSENTIALLY GAVE IN TO THE UNIONS IN TERMS OF LEAVING THE SCALA MOBILE MECHANISM UNTOUCHED WITH ITS BUILT-IN INFLATIONARY ASPECTS, AND HE QUESTIONED WHETHER THE PCI HAD IN FACT NOT FAILED IN ITS EFFORTS TO INDUCE THE UNIONS TO MAKE CONCESSIONS IN THESE AREAS. BARCA CONCEDED THAT THE WAGE INDEXATION AS IT CURRENTLY EXISTS IN ITALY IS UNSOUND IN ECONOMIC TERMS AND NEEDS MODIFICATION. HE HELD OF THE HOPE THAT ONCE THE PRESENT ECONOMIC PACKAGE IS PUSHED THROUGH THE PARLIAMENT, THE UNIONS WILL BE PREPARED TO CONSIDER PROPOSALS FOR A MODIFICATION OF THE PRESENT WAGE INDEXATION SYSTEM.

3. BARCA WAS CRITICAL OF THE GOVERNMENT'S HANDLING OF THE LATEST ROUND OF TALKS WITH THE IMF ARGUING THAT THEY WERE LEFT TO SECOND-LEVEL OFFICIALS WITH MINISTERS BARELY GETTING INVOLVED. HE SUGGESTED THAT THE PCI HAD

SUCCEEDED IN TALKING TO SOME MEMBERS OF THE IMF
NEGOTIATING HERE IN ROME, ALTHOUGH BARCA HIMSELF
HAD FAILED IN AN EFFORT TO TALK WITH ITS LEADER.
NEVERTHELESS, THE PCI, HE SAID, HAD BEEN IN TOUCH WITH
IMF HEADQUARTERS IN WASHINGTON THROUGH THE MEDIATION
OF QUOTE ITALIAN FRIENDS WORKING IN THE IMF
HIERARCHY END QUOTE FOR THE PURPOSE OF OUTLINING ITS
VIEWS.

4. THE ANDREOTTI GOVERNMENT. ACCORDING TO BARCA, THE
PCI DOES NOT BELIEVE THAT THE ANDREOTTI GOVERNMENT IS
IN IMMINENT DANGER OF ALLING. THE MAJOR THREAT TO ITS
SURVIVAL WAS REMOVED ABOUT MARCH 16 WHEN CHRISTIAN
DEMOCRATIC (DC) PRESIDENT MORO ASSURED ANDREOTTI THAT
HE WAS NOT A CANDIDATE FOR THE LATTER'S POSITION.
BARCA OBSERVED THAT MORO HAS BECOME A CANDIDATE TO
SUCCEED ZACCAGNINI AS DC SECRETARY SINCE THE
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LATTER'S ILLNESS IS SUBSTANTIALLY MORE SERIOUS THAN
PUBLICLY ACKNOWLEDGED. FURTHERMORE, HE NOTED THAT
THE ALLEGATIONS CONCERNING CRIMINAL ACTIONS ON THE
PART OF PRESIDENT LEONE ARE SERIOUS, AND MORO WANTS TO
BE IN A STRONGER POSITION TO BID FOR THE PRESIDENCY
SHOULD BE BECOME VACANT BEFORE THE EXPIRATION OF
LEONE'S TERM (DEC. 1978). THUS, WITH PROSPECTS FOR
AGREEMENT ON THE ECONOMIC PACKAGE BRIGHT AND WITH THE
MOST SERIOUS CANDIDATE FOR ANDREOTTI'S JOB OUT OF THE
RUNNING, BARCA FELT CERTAIN THAT THE GOVERNMENT WOULD
REMAIN INTACT AT LEAST THROUGH THE EASTER VACATION.

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5. PCI STRATEGY. BARCA SAID THAT PCI STRATEGY FOR DEALING WITH THE CURRENT SITUATION HAD BEEN DECIDED DURING AN UNOFFICIAL AND HASTILY CALLED MEETING OF THE PARTY'S DIRECTORATE ON MARCH 22. AT THIS STAGE THE PCI COULD ACCEPT A PROGRAMMATIC AGREEMENT ENCOMPASSING SIX OR SEVERN AREAS OF PROPOSED LEGIALATION WHICH ARE DEEMED ESSENTIAL TO DEAL WITH THE CRISIS NOW CONFRONTING THE COUNTRY. AT THE SAME TIME, THE PCI WOULD WANT SOME SYSTEM OF GUARANTEES TO INSURE THAT THE GOVERNMENT WOULD IMPLEMENT THE MUTUALLY AGREED LEGISLATION ONCE IT WERE ADOPTED. THESE GUARANTEES COULD BE IN ONE OF SEVERAL FORMS, TWO OF WHICH HAVE ALREADY SURFACED--A RESHUFFLE OF THE CABINET TO INCLUDE A TECHNICIAN OR TWO IN WHOM THE LEFT HAD CONFIDENCE, OR REGULARIZED WEEKLY MEETINGS OF THE GROUP LEADERS OF THE PARTIES KEEPING THE ANDREOTTI GOVERNMENT AFLOAT. BARCA SUGGESTED THAT THE FORMER ARRANGEMENT WAS PREFERABLE TO THE PCI, AND OBSERVED THAT IT WAS ENTIRELY POSSIBLE THAT A GOVERNMENT RESUFFLE COULD OCCUR AFTER EASTER. CONFIDENTIAL

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6. SC STRATEGY. IN BARCA'S JUDGEMENT, THE DC IS NOW DOMINATED BY MORO WHO DECIDED AT THE TIME OF THE LOCKHEED DEBATE IN THE PARLIAMENT THAT HE HAD REMAINED OUT OF THE MAIN STREAM OF POLITICAL LIFE FAR TOO LONG. MORO HAS RALLIED AROUND HIS BANNER THE BULK OF THE DC, AND HE WILL BE VIRTUALLY UNCHALLENGED FOR PARTY SECRETARY SHOULD THE POSITION FALL VACANT. FOR HIS PART, MORO, WHO IS NOW CALLING THE DC SHOTS, WILL NOT PERMIT ANY SOCIALIST (PSI) INSPIRED AND LED INITIATIVE TO GET OFF THE GROUND, AND ACCORDINGLY, THE CURRENT CRAXI ROUND OF BILATERAL MEETINGS BETWEEN THE PARTIES OF THE NON SFIDUCIA WAS DOOMED TO FAILURE BEFORE IT EVEN STARTED. THIS HAS BEEN THE PCI ASSESSMENT, AND UNDER THE CIRCUMSTANCES THE PARTY HAS NOT ATTACHED TOO MUCH IMPORTANCE TO CRAXI'S EFFORTS. HOWEVER, THE PCI DOES NOT PRECLUDE THAT ONCE THE PCI HAS FINISHED WITH ITS MANEUVER, MORO WILL GET A DC INITIATIVE GOING, PROBABLY USING AS A BASIS

HIS RECENT CALL FOR A PROGRAMMATIC CONVERGENCE.

7. THE HEALTH OF THE PCI. BARCA ACKNOWLEDGED THAT THE PCI PRESENTLY FINDS ITSELF IN A DIFFICULT SITUATION SINCE IT IS INCREASINGLY CONSIDERED AS PART OF THE ESTABLISHMENT. IN HIS ESTIMATION, THERE HAD BEEN SOME TURN AROUND IN PCI FORTUNES DURING THE LAST FEW WEEKS PRIMARILY AFTER THE VIOLENCE WHICH OCCURRED IN BOLOGNA AND ROME. REFERRING TO THE RECENTLY CONCLUDED CENTRAL COMMITTEE (CC) MEETING WHICH DISCUSSED YOUTH PROBLEMS, BARCA CONCEDED THAT IT OFFERED UP LITTLE IN THE WAY OF POSITIVE INITIATIVES DESIGNED TO COME TO GRIPS WITH THE PROBLEM AT HAND. HE INDICATED THAT THERE HAD BEEN SOME POLEMICS DURING THE MEETING

WITH VILLAGE LEADER AMANDOLA AND THE BOLOGNA CITY FEDERATION COMING IN FOR CRITICISM FOR FAILING TO
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REPORT TO PARTY HEADQUARTERS LEFTIST DISRUPTIONS AT A MEETING AMENDOLA HAD CONDUCTED A MONTH EARLIER IN BOLOGNA. KNOWLEDGE OF THIS WOULD PERHAPS HAVE ALERTED THE PARTY THAT CONDITIONS WERE DETERIORATING IN BOLOGNA. BARACA SAID THAT SOME, INCLUDING HIMSELF, DISAGREED WITH PORTIONS OF BUFFALINI'S SPEECH TO THE CC SINCE IT TENDED TO LUMP ALL THE PROTESTING STUDENTS TOGETHER RATHER THAN SINGLING OUT FOR ATTACK ONLY THAT SMALL ELEMENT WHICH HAS RESORTED TO VIOLENT METHODS. HE ATTRIBUTED THE FAILURE OF THE PARTY TO COME FORWARD WITH POSITIVE PROPOSALS ON HANDLING THE YOUTH ISSUE TO DIFFERENCES WITHIN THE LEADERSHIP AS TO PRECISELY WHAT TO DO. FOR INCSTANCE, SOME ARE SUGGESTING THAT SCHOOL ATTENDANCE BE MADE MANDATORY THROUGH ONE'S SIXTEENTH YEAR, AND EXTENSION OF THREE YEARS. BARCA HIMSELF OPPOSES THIS IDEA. FINALLY BARCA COMMENTED THAT HE HAD BEEN ATTACKED BY NAME AT THE CC BY ANTONIO ROASIO, AN ELDERLY HARDLINER IN THE PARTY.

8. PCI'S MIDDLE TERM PLAN. ACCORDING TO BARCA, A DRAFT OF THE PARTY'S PROPOSED MIDDLE TERM PLAN WILL BE READY BEFORE EASTER. IT WILL THEN BE THE SUBJECT OF DISCUSSION AT A CENTRAL COMMITTEE MEETING WHICH PROBABLY WILL BE HELD SOMETIME BETWEEN APRIL 17 AND 24. BARCA SAID WORK ON THE PLAN HAD BEEN DELAYED FOR SEVERAL WEEKS BY THE STUDENT UNREST. AS A RESULT OF A LACK OF AGREEMENT, BARCA DOES NOT EXPECT ANY MAJOR PROPOSALS IN THE PLAN WHICH WOULD ADDRESS YOUTH PROBLEMS.

9. US POLICY TOWARDS THE PCI. AT THE END OF THE CONVERSATION, BARCA INQUIRED WHETHER THERE WOULD BE

ANY CHANGES IN THE AMERICAN ATTITUDE TOWARDS THE PCI.

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EMBOFF REPLIED THAT AS A MATTER OF PRINCIPLE, THE
USG RETAINS ITS TRADITIONAL OPPOSITION TO THE IDEA
OF PCI ENTRY INTO AN ITALIAN GOVERNMENT SINCE,
GIVEN THE IDEOLOGICAL ORIENTATION OF THE PARTY,
WE HAVE SERIOUS DOUBTS ABOUT ITS LONG TERM COMMITMENTS TO A
PLUSALISTIC SOCIETY. THAT BEING SAID, WE RECOGNIZE
THAT THE ULTIMATE DECISION RESTS WITH THE ITALIAN PEOPLE,
AND WE INTEND TO AVOID INTERFERING IN ITALIAN INTERNAL
AFFAIRS. EMBOFF CAUTIONED THAT CERTAIN STYLISTIC
CHANGES IN OUR APPROACH SHOULD NOT BE MISINTERPRETED
AS A CHANGE IN OUR POLICY. ADDITIONALLY,
ATTEMPTS TO DISTORT THE NATURE OF OUR POLICY OR TO
MAKE POLITICAL HAY BY PLAYING ON THE AMERICAN
CONNECTION--EMBOFF DREW HIS ATTENTION TO THE FORTH-
COMING GABBUCCIANI TRIP TO THE STATES--COULD EVENTUALLY
OBLIGE US TO RESTATE OUR POLICY. BARCA EXPRESSED
UNDERSTANDING OF THE POINTS EMBOFF MADE, AND ADDED THAT IT
MIGHT BE USEFUL FOR AN EXPANSION OF CONTACTS FOR THE
PURPOSE OF GETTING TO KNOW EACH OTHER
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BETTER. EMBOFF INDICATED AGREEMENT IN PRINCIPLE TO THE DESIRABILITY TO SUCH ACTION, AND BARCA VOLUNTEERED TO THINK SUBJECT OVER, I.E. COSULT WITH PARTY COLLEAGUES, AND GET BACK TO EMBOFF WITH SUGGESTIONS ON HOW THIS MIGHT BE ACCOMPLISHED. IN CONCLUDING CONVERSATION, EMBOFF CAUTIONED THAT IT WOULD BE WISE TO PROCEED IN A GUADUAL MANNER SO AS NOT TO CREATE UNWANTED COMPLICATIONS.

10. COMMENT. WITH REFERENCE TO BARCA'S STATEMENTS REGARDING GOVERNMENT-UNION NEGOTIATIONS, IT SHOULD BE NOTED THAT ABOVE CONVERSATION TOOK PLACE ON MARCH 25, I.E. BEFORE MOST RECENT ROUND (MARCH 28-29) OF NEOTIATIONS, WHICH ARE REPORTED SEPTELS.GARDNER

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